

William (Bill) Lyons, Jr.
Secretary

California Dairy Producers May Be Eligible for Livestock Compensation Program

In late September, Agriculture Secretary Ann M. Veneman announced that approximately \$752 million was being made available for the Livestock Compensation Program, for cattle, sheep, goats, and buffalo producers in counties that have received primary disaster designation due to drought in 2001 and/or 2002. In addition, producers in counties which have disaster designation requests pending as of September 19, 2002, and which are subsequently approved, will also be eligible to participate in the program. At press time, the following seven California counties had already received USDA Secretarial Designation for Drought: Calaveras, Lassen, Mendocino, Modoc, San Diego, Siskiyou, and Ventura. In addition, the following 28 counties were seeking designation which would permit livestock producers to apply for assistance: Butte, Colusa, Fresno, Glenn, Kern, Kings, Los Angeles, Mariposa, Merced, Monterey, Napa, Orange, Plumas, Riverside, San Benito, San Bernardino, San Joaquin, San Luis Obispo, Santa Barbara, Santa Clara, Shasta, Sierra, Solano, Sonoma, Stanislaus, Tulare, Tuolumne, and Yolo. The Farm Services Agency (FSA) offices representing these counties will have up-to-date information on approval status.

Beginning October 1, FSA county offices and USDA Service Centers will begin accepting applications for participation. Producers will work with FSA staff to verify the number of eligible animals owned as of June 1, 2002 that will qualify for the program. The animals must have been owned for 90 days or more before and/or after June 1, 2002. Payment will be determined by multiplying the number of eligible animals by the respective payment rate. The program's payment rate for dairy cattle is \$31.50/head with a \$40,000 per person cap. In addition, producers are subject to a \$2.5 million gross income limit.

Please consult with FSA staff if you have specific questions about the program. In addition, program information is available on the USDA website, www.usda.gov and also on the Farm Services Agency California home page, www.fsa.usda.gov/CA

Producers are urged to complete the sign-up/application process as soon as possible. ☀

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AUGUST MILK PRODUCTION

Milk production in California for August 2002 totaled 2.97 billion pounds, up 5.8 percent from August 2001. USDA's estimate for U.S. milk production for August 2002 in the 20 major dairy states is 12.2 billion pounds, up 3.8 percent from August 2001. Production per cow in the 20 major states averaged 1,568 pounds for August, which is 48 pounds above August 2001. ☀

MINIMUM CLASS PRICES

Statewide average hundredweight prices

Class	September	October
1	\$12.46	\$12.11
2	\$10.95	\$10.73
3	\$10.78	\$10.57
4a	\$ 9.79	----
4b	\$ 9.93	----

FEDERAL ORDER AND CALIFORNIA MINIMUM CLASS 1 PRICES

Average Hundredweight Prices

Regions	September	October
Phoenix, Arizona	\$12.81	\$12.50
Southern California	\$12.60	\$12.24
Portland, Oregon	\$12.36	\$12.05
Northern California	\$12.33	\$11.97
Boston (Northeast)	\$13.71	\$13.40

QUOTA TRANSFER SUMMARY

No new quota transfer figures available at press time. For August 2002, 11 dairy producers transferred 4,446 pounds of solids-not-fat (SNF) quota. August quota sales averaged \$520 per pound of SNF (without cows), an average ratio of 2.40. For September, 5 dairy producers transferred 2,466 pounds of SNF quota. September quota sales averaged \$500 per pound of SNF (without cows), average ratio of 2.37.

ALFALFA UPDATE: SEPTEMBER

Northern California: Throughout September, Premium and Supreme alfalfa was fully steady as demand and supply increased. Fair and Good alfalfa was steady with demand light to moderate, many dairies getting fully stocked. Retail and Stable hay was steady to firm with supplies light to moderate. Weather was very warm throughout the month and worms are still presenting problems for producers.

Southern California: Premium and Supreme alfalfa not tested. Fair and Good alfalfa was steady with light to moderate demand. Many supplies showing grass, heavy white fly infestation, and rain damage. Producers in Antelope Valley are done filling barns for winter takeout. Most dairies are buying for the short term, not willing to tie up big inventories. ☀

SUPREME HAY PRICES

Statewide average prices per ton

Area	9/6	9/13	9/20	9/27
Petaluma	\$145	\$150	\$145-156	\$150-155
North Valley ¹	\$143-159	\$150-158	\$140-160	\$140-145
South Valley ²	\$155-158	\$150-158	\$150-175	\$150-167
Chino Valley	-----	-----	-----	-----

¹North Valley is Escalon, Modesto and Turlock areas.

²South Valley is Tulare, Visalia and Hanford areas.

ALFALFA HAY SALES/DELIVERY

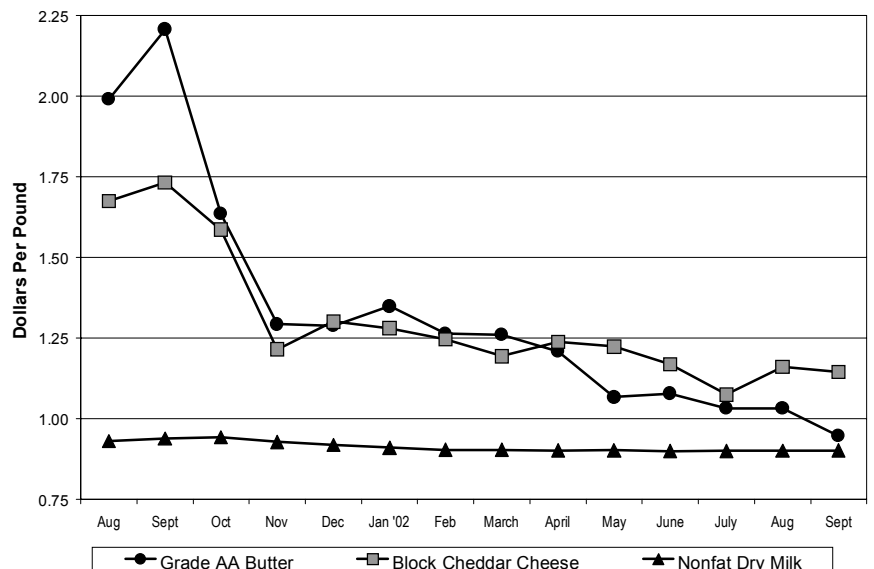
	August	September
Tons Sold ¹	223,191	199,415
Tons Delivered ²	87,407	83,114

¹For current or future delivery.

²Contracted or current sales.

Alfalfa hay sales, deliveries and Supreme quality prices per ton, delivered to dairies, as reported by the USDA Market News Service, Moses Lake, WA, (509) 765-3611, <http://www.ams.usda.gov/marketnews.htm>

Grade AA Butter, Block Cheddar Cheese, and Nonfat Dry Milk Prices Used in the Calculation of California Milk Prices



Notice of Drug Treated Livestock

by Steven D. Wong, CDFA Agricultural Commodities & Regulatory Services

Dairy animals often require medications to treat illness or health conditions that affect optimal milk production. While the dairy producer must have the ability to maintain the health of their animals, they need to be aware of the potential for drug residues ending up in milk or in the meat of animals slaughtered for consumption.

Drug residues in livestock slaughtered for consumption is a major concern of the federal Food and Drug Administration (FDA). There is potential for health effects on individual who are allergic to certain drugs as well as the potential for microorganisms to build resistance to antibiotics that are also used to treat human infections. The dairy producer is the primary individual who can prevent residues from getting into milk or meat.

Both milk and meat are monitored and tested for drug residues by the California Department of Food and Agriculture (CDFA) and the U. S. Department of Agriculture Food Safety and Inspection Service (FSIS). When drug residues over the established tolerances are detected by FSIS, they are reported to the FDA and CDFA's Agricultural Commodities and Regulatory Services' (ACRS) Feed and Livestock Drug Program. These agencies have responsibility to investigate the source of the residues in meat and can pursue regulatory actions including citation, injunction or legal suits against the producer to prevent further occurrences.

While some regulatory actions have been required to seek compliance, the Feed and Livestock Drug Program encourages dairy producers to be cognizant of the Livestock Drug law and employ procedures for proper identification of animals and drug treatments necessary to maintain healthy animals. When animals are treated, records need to be kept to document the treatment, i.e. drug, date of treatment(s), withdrawal period for milk and slaughter. Animals should not be sent to slaughter before the withdrawal time has elapsed. If individual drug treated animals must be removed from the herd and sold, the producer is responsible for notifying the buyer of drug treatment and that the animal has not been fully withdrawn from the drug. The CDFA ACRS

Branch has forms available for this purpose. The "Notification of Drug Treated Livestock" form (513-037) is available by contacting the ACRS Branch at (916) 654-0574.

Be responsive and do your part to keep the food you produce safe for the consumer.

CMAB Annual District Meetings

The California Milk Advisory Board (CMAB) invites all milk producers to attend one of the annual information and nomination meetings held throughout the state. These meetings will update producers on CMAB's advertising and research activities. Also, nominations for serving on the CMAB Board will be conducted. Following is a schedule of the meetings. All of these gatherings are dinner meetings that will be preceded by a no-host social hour. The social hour for all locations, except Chino, will begin at 6:30 p.m. The social hour in Chino begins at 6:00 p.m.

- **Temecula** - Wednesday, October 23, Temeku Hills
- **Chino** - Thursday, October 24, USA Yanks Air Museum
- **Bakersfield** – Monday, October 28, Double Tree Hotel
- **Tulare** – Tuesday, October 29, Heritage Complex
- **Selma** – Wednesday, October 30, Spike N' Rail
- **Turlock** – Monday, November 4, Turlock Turf Club
- **Lodi** – Wednesday November 6, Wine & Roses
- **Fortuna** – Wednesday, November 13, River Lodge
- **Petaluma** – Thursday, November 14, Hotel Petaluma
- **Willows** – Tuesday, November 19, Franco's

Please refer to your CMAB mail invitation or call (209) 525-6875 if you need more information.

Department Projects Are Progressing

The Dairy Marketing continues its work to complete several projects in preparation for a possible public hearing later this fall on the Class 4a and 4b milk pricing formulas. The Department received four petitions this summer requesting such a hearing.

The Dairy Marketing Manufacturing Cost Unit is finishing up its current cycle of cost studies on California's dairy manufacturing plants. As soon as this cycle of studies is complete, the Unit will conduct an update of energy costs incurred by manufacturing plants based on the most current invoices available.

Two other projects that will result in important economic data to consider at a possible Class 4 hearing are:

- a comparison of the prices at which butter and Cheddar cheese are traded on the Chicago Mercantile Exchange (CME) and the prices received by California manufacturers of butter and cheese, and
- an update to a study first conducted in 1998 on butter and powder yields realized by California manufacturing plants.

These projects should be completed by this November and will be made available to all interested parties. Hopefully, by November of this year, USDA will have announced its decision regarding proposed amendments to the Class III and IV pricing formulas for federal milk marketing orders in surrounding states.

The Department has also received petitions for a hearing on transportation credits and allowances and recognizes there are issues to be addressed through the hearing process. In both instances the petitioner withdrew its petition but indicated it will resubmit the petition at a later date.

National Dairy Situation and Outlook

Milk Production and Cow Numbers

Monthly: Compared to 2001, overall milk production across the U.S. was up 4.0% in August, led by Arizona's 24.8% growth in milk production (on 10,000 more cows and 255 more pounds per cow). California's production was up 6.3% (on 54,000 more cows and 50 more pounds per cow). Among other western states, New Mexico was up 13.5%, Idaho up 4.7%, and Washington up 1.5%. Only one of the top 10 states reported a decrease: Minnesota -2.1%.

Quarterly: For the second quarter of 2002 compared to the second quarter of 2001, U.S. milk cow numbers rose slightly to 9.147 million, production per cow was up 2.6%; the net effect was a 3.0% increase in milk production to 44.0 billion pounds. USDA projects that for the third quarter of 2002 compared to the third quarter of 2001, U.S. milk cow numbers will increase to 9.155 million cows, production per cow will be up 2.3%; the net effect would be a 2.7% increase in milk production to 41.7 billion pounds.

Milk Prices

Comparing the second quarter of 2002 to the first quarter of 2002, U.S. average milk prices were down \$0.50/cwt. to \$12.10/cwt. USDA projects that for the third quarter of 2002, U.S. average milk prices will be down another \$0.80/cwt.; including a \$1.00/cwt. Class 4b price decrease and a \$0.40/cwt. Class 4a price decrease.

Utility Cow Prices

Comparing the second quarter of 2002 to the first quarter of 2002, average U.S. utility cow prices were up \$0.75/cwt. to a national average of \$42/cwt. USDA projects that utility cow prices will be down \$3/cwt. in the third quarter of 2002.

Information from the USDA-NASS publication "*Milk Production*" and the USDA-ERS publication: "*Livestock, Dairy, and Poultry Outlook*."

CMAB District Representation Modified

The California Milk Advisory Board (CMAB) has a board of directors consisting of 24 producer positions which are allocated to specified districts across the state. The CMAB has a policy of reviewing geographic milk production patterns at least once every three years to determine if the regional allocation of the Board's member positions is equitable. The CMAB recently conducted such a review and concluded that production patterns had changed enough in recent years to warrant modification of the CMAB's representation provisions. The Board subsequently recommended that CDFA implement the following changes concerning district representation:

- Reduce District 12 (*Chino area*) representation from four to three members.
- Divide District 9 (*Southern San Joaquin Valley*) into two districts; a smaller redefined District 9 (*consisting of Mono, Inyo, Tulare and Kings Counties*) and a new District 10 (*consisting of San Luis Obispo, Santa Barbara and Kern Counties*).
- Maintain six members for the smaller redefined District 9.
- Allocate the one member position obtained from District 12 to the new District 10.

CDFA has concluded that these proposed modifications provide a relatively good fit between representation on the Board and current production patterns and has therefore approved them. However, representatives in the affected positions will continue to serve through November 30th in order to allow sufficient time to conduct nominations and make appointments to the newly created positions.

It is important to note that the CMAB's representation provisions have been modified several times since the program's inception in 1969 in order to reflect changes in production patterns. The changes just adopted merely reflect a current snapshot of this ever-changing industry. It is likely that the dairy industry will continue to evolve, thus maintaining the ongoing need for the CMAB to conduct periodic reviews of their representation provisions. As you may be aware, the CMAB conducts promotion and research activities on behalf of the California milk industry, activities funded by assessments upon all producers of market milk in the State.

Please call Dennis Manderfield of the CDFA Marketing Branch at (916) 654-1245 if you would like copies of the documents that officially implemented these amendments or if you have any questions concerning them. ☀

CDFA Seeks Beef Council Nominations

The Department is asking individuals and organizations affiliated with the California beef industry to submit nominations for membership on the California Beef Council. The Council, which is funded by assessments on cattle and calves marketed in California, administers a program of promotion, education and research for the beef industry. Available positions include members and alternates who would represent meat packers and producers of feeder cattle, range cattle and dairy cattle. This year, there happens to be two dairy member positions and three dairy alternate positions that need to be filled. Nominations should be mailed to Dennis Manderfield, CDFA Marketing Branch, 1220 N Street, Room A-247, Sacramento, CA, 95814. Nominations must be postmarked no later than October 17, 2002. For more information, contact Bruce Berven of the Beef Council at (925) 484-2333 or Dennis Manderfield of CDFA at (916) 654-1245. ☀

Milk Production Cost Index for California

Month	Del Norte / Humboldt		North Bay		North Valley		South Valley		Southern California		Statewide Weighted Average	
	2001	2002	2001	2002	2001	2002	2001	2002	2001	2002	2001	2002
	<i>Dollars per Hundredweight</i>											
January	14.68	15.39	13.66	14.17	12.60	12.97	12.09	12.90	13.04	13.10	12.5165	13.0110
February	14.68	15.39	13.66	14.17	12.60	12.97	12.09	12.90	13.04	13.10	12.5165	13.0110
March	12.66	13.18	13.10	14.11	12.39	12.50	12.00	12.49	13.20	12.98	12.3930	12.6245
April	12.66	13.18	13.10	14.11	12.39	12.50	12.00	12.49	13.20	12.98	12.3930	12.6245
May	11.43	11.59	13.15	13.36	12.66	12.50	12.39	12.94	13.57	13.05	12.7255	12.8019
June	11.43	11.59	13.15	13.36	12.66	12.50	12.39	12.94	13.57	13.05	12.7255	12.8019
July	11.75		13.50		12.75		12.95		13.91		13.0678	
August	11.75		13.50		12.75		12.95		13.91		13.0678	
September	12.89		13.57		13.04		12.99		14.19		13.2516	
October	12.89		13.57		13.04		12.99		14.19		13.2516	
November	14.23		14.09		12.86		12.69		13.45		12.9463	
December	14.23		14.09		12.86		12.69		13.45		12.9463	

HUNDREDWEIGHT POOL PRICES

Month	Quota	Overbase
April '01	\$14.65	\$12.95
May	\$15.70	\$14.00
June	\$16.46	\$14.76
July	\$16.35	\$14.65
August	\$16.70	\$15.00
September	\$16.95	\$15.25
October	\$14.71	\$13.01
November	\$13.67	\$11.97
December	\$12.93	\$11.23
January '02	\$13.18	\$11.48
February	\$12.53	\$10.83
March	\$12.37	\$10.67
April	\$12.41	\$10.71
May	\$12.06	\$10.36
June	\$11.60	\$ 9.90
July	\$11.28	\$ 9.58
August	\$11.48	\$ 9.78

Milk Mailbox Prices in Dollars per Hundredweight

	Dec.	Jan '02	Feb	March	April	May	June
California ¹	\$12.33	\$12.48	\$11.73	\$11.46	\$11.37	\$10.98	\$10.44
USDA ²	\$13.21	\$13.34	\$12.91	\$12.39	\$12.16	\$11.83	\$11.33

¹ California mailbox price calculated by CDFA.

² All federal milk market order weighted average, as calculated by USDA.

